UNDP

UNITED NATIONS
DEVELOPMENT
PROGRAMME

Distributed on request
DP/PROJECTS/7132

ENGLISH

APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF
VENEZUELA

INDIANA UNIVERSITY
GL DEPT.

IPF:(1987-91) $ 5 100 000

(VEN/91/013) - Development and Reorganization of the Water and Sanitation System

Date of approval by the AC:[1/]	4 September 1991
Expected duration:	Three years
Proposed executing agency:	Government
Government implementing agency:	Ministry of the Environment and Renewable Natural Resources(MARNR)
Proposed UNDP contribution:	Nil Source of funds: IPF
Government cost sharing:	$ 4 400 000
Total UNDP budget:	$ 4 400 000

Project background

The administration of the water and sewage system in Venezuela has been the responsibility of the National Institute for Sanitation Works (INOS). This sector is in a serious institutional and financial crisis due to a large extent to the priority given to the implementation of very large-scale projects over the rehabilitation of existing systems and their operation and maintenance. Tariffs for water and sewage services were established in 1981 and do not cover the current cost of the services. The system of invoicing and collection of revenues is very inefficient, with the result that the Central Government has to finance not only capital expenditures but also operation and management costs.

In February 1989, the Government began an important programme to transform the country placing particular emphasis in the reform of the public sector. Furthermore, The VIII Development Plan foresees capital investments in the order of (US)$ 3 billion for the water and sanitation sector between 1991 and 1993. Considering the situation of this sector, the Ministry of the Environment and Renewable Natural Resources (MARNR) has already taken some measures to decentralize water and sanitation services with the creation of regional enterprises (HIDROS) and has requested financial assistance from the World Bank to implement a programme to change the operational and administrative structure of the sector. The MARNR and the World Bank have agreed that in order to improve the sector, it is necessary to: (1) reorganize the institutional structure which is excessively centralized; (2) adopt a new financial policy including adequate tariffs to insure that the new decentralized enterprises will be financially self-sufficient; and (3) analyze future investment carefully in this sector to insure the optimal use of the resources. The Government of Venezuela has to prepare background studies and materials that are necessary for the implementation of some

[1/] **This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.**

measures in order to obtain a loan from the World Bank for the restructuring of the sector.

The Government has therefore requested UNDP to assist the MARNR in the preparation of the required studies taking into account the successful involvement of the organization with this ministry in the past and the recent assistance in this sector under the projects (VEN/90/020) Institutional Development and Reorganization of the Water Sector and (VEN/90/002) Participation of Communities Organized in the Sanitation and Recovery of the River Basin Tuy.

Description of project

The proposed project will contribute to the achievement of the fourth objective of the Fourth Country Programme and also to the first and third concentration areas foreseen in the Fifth Country Programme which are to support the decentralization of the public sector and the development of natural resources and the protection of the environment.

The immediate objectives of the project are to: (a) make available reliable and updated information on the state of water supply and sewage systems; (b) design a rehabilitation plan to allow future expansions of the water supply and sewage systems of the Capital Region; (c) present a financial analysis of the sector and corresponding tariff proposals; (d) establish the basis for the implementation of an adequate organizational structure for the creation of independent agencies for the river Tuy and Maracaibo lake basins; and (e) prepare key personnel of the Ministry for the institutional development and reorganization of the sector.

Inputs

UNDP will provide 202 work-months of international and national professional personnel in institutional development, project evaluation, commercial systems, water and sanitation engineering and water treatment plants; sub-contracts for the preparation of a national survey of the existing systems, personnel management systems, a rehabilitation plan, and an environmental protection plan for the Maracaibo lake; training programmes and study tours for 32 professionals; automatic measurement systems for water and sewage control and evaluation, specialized hardware and software systems, and vehicles; and administrative support; and miscellaneous costs.

Financial data

	$
Personnel	1 114 800
Subcontract	2 675 200
Training	100 000
Equipment	480 000
Miscellaneous	30 000
Total	4 400 000